

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 468 – HB 680

March 26, 2013

**SUMMARY OF ORIGINAL BILL:** Requires the Department of Economic and Community Development (ECD) to allocate 50 percent of its annual budget, beginning in FY14-15, to the creation, expansion, preservation, or development of businesses having less than 100 hundred full-time employees. Requires the budget document presented by the Governor to the General Assembly for FY14-15, and each year thereafter, to include recommended appropriations to ECD that are consistent with the 50 percent allocation requirement.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$122,900/FY14-15 and Subsequent Years

Other Fiscal Impact – Secondary economic impacts may occur as a result of the proposed re-allocation of funds towards businesses with less than 100 full-time employees. Due to multiple unknown factors, fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

**SUMMARY OF AMENDMENT (005042):** Deletes all language after the enacting clause. Requires five development districts with the highest number of Tier 3 counties to develop a two-year pilot project to provide existing small businesses of the state located within Tier 3 counties with loans, loan services and loan guarantees, not to exceed \$100,000 per loan. Establishes that the maximum amount of money allocated among and to the selected development districts is \$5,000,000. Establishes a general fund reserve, known as the Rural Small Business Assistance Program Fund, to be allocated in accordance with the program created by this act. Requires any money deposited in the Fund or any interest earned to remain in the reserve until expended for purposes consistent with such program and prohibits any money from reverting to the General Fund on any June 30. Requires the selected development districts to submit a report on the development of the program to the House Local Government Committee and the Senate State and Local Government Committee on or before July 1, 2014.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

### **Increase State Revenue –**

**\$375,000/FY13-14/Rural Small Business Assistance Program Fund**

**\$500,000/Each Year FY14-15 through FY22-23/Rural Small Business Assistance  
Program Fund**

**\$125,000/FY23-24/Rural Small Business Assistance Program Fund**

### **Increase State Expenditures – \$3,750,000/FY13-14/General Fund**

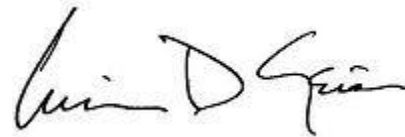
**\$1,250,000/FY14-15/General Fund**

Assumptions for the bill as amended:

- Seventy five percent of the total allocation, or \$3,750,000 ( $\$5,000,000 \times 75.0\%$ ), will be loaned to existing businesses in Tier 3 counties in FY13-14. The remaining 25 percent, or \$1,250,000 ( $\$5,000,000 \times 25.0\%$ ) will be expended in FY14-15.
- Based on the U.S. Small Business Administration loan repayment terms for small business loans, the average loan maturity is estimated to be 10 years.
- As a result, 10 percent of the amount loaned will be repaid annually and deposited to the Rural Small Business Assistance Program Fund. The resulting increase in revenue to the Fund is estimated to be \$375,000 ( $\$3,750,000 \times 10.0\%$ ) in FY13-14, \$500,000 [ $(\$1,250,000 \times 10.0\%) + \$375,000$ ] each year FY14-15 through FY22-23, and \$125,000 ( $\$1,250,000 \times 10.0\%$ ) in FY23-24.
- It is estimated that any losses resulting from businesses defaulting on payments will be offset by interest earned and any fees charged to administer the program.
- The development and administration of the program is estimated to result in a not significant increase in expenditures to the selected development districts and can be accommodated within existing resources.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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